

DATE ISSUED: May 31, 2002 REPORT NO. 02-134

ATTENTION: Rules, Finance and Intergovernmental Relations Committee
Agenda of June 5, 2002

SUBJECT: Fiscal Year 2003 Proposed San Diego Data Processing Corporation
Budget

SUMMARY :

Issue - Should the City Council approve the \$76,454,246 Fiscal Year 2003 Proposed San Diego Data Processing Corporation (SDDPC) Budget?

Manager's Recommendation - Approve the \$76,454,246 Fiscal Year 2003 Proposed SDDPC Budget.

Other Recommendations - None.

Fiscal Impact – The City of San Diego's Fiscal Year 2003 Proposed Budget includes \$500,000 in anticipated revenue from SDDPC.

BACKGROUND

During the development of City agency budgets, City Manager staff works with City agencies in an effort to ensure that the budget requests are in conformance with various City policies. The review of the Fiscal Year 2003 SDDPC Proposed Budget was conducted by City staff with regard to proposed adjustments from Fiscal Year 2002 budgeted levels. This budget represents the anticipated level of funding for SDDPC operations in Fiscal Year 2003 and reflects the request for information technology services by the City of San Diego. Actual services are billed directly to City departments based on negotiated costs. Under terms of the City's Operating Agreement with SDDPC, the Corporation may incur expenses in excess of its approved budget dependent upon available revenues.

DISCUSSION

As part of the City's Fiscal Year 2003 budget process, the City of San Diego requested that SDDPC reduce their billing rates in order to lower the cost to the General Fund by \$1.0 million. This reduction was requested to help keep the General Fund in balance given the fiscal constraints. The City Manager's Office appreciates the reduction in services and the resultant reduction in SDDPC revenues and expenditures. In spite of budget reductions, SDDPC's proposed Fiscal Year 2003 budget includes a \$500,000 surplus to the City of San Diego.

The City and SDDPC will work as strategic partners to implement initiatives focusing on IT operations in support of the IT Strategic Plan that will result in efficiencies to achieve the surplus, such as:

- Seat Management Pricing (Flat-Rate Desktop)
- Consolidated Help Desk
- Server Consolidation
- Consolidated Network for the City of San Diego

The City and SDDPC will team together in these and other initiatives to reach a level of progress that will achieve the surplus.

Revenue

The \$76,454,246 Fiscal Year 2003 proposed budget represents a 6.6% decrease from the Fiscal Year 2002 final budget. This reduction in revenue reflects a reduction in the information technology services requested of SDDPC by the City in areas including application development, enhancement, maintenance, and hardware and software maintenance and purchasing.

The following table exhibits a comparative breakdown of revenue by customer category:

Customer	FY 2002 Budgeted Revenue (Final)	FY 2002 Revenue (Estimated Actual)	FY 2003 Budgeted Revenue (Proposed)
City of San Diego			
General Fund	\$26,863,461	\$35,197,000	\$33,266,218
Non-General Fund	\$50,776,305	\$41,442,000	\$39,241,736
City/County Joint Programs ¹	\$2,807,560	\$2,987,000	\$2,795,280
Non-City Customer	\$1,490,998 ²	\$1,451,000 ³	\$1,151,012 ³
TOTAL	\$81,938,324	\$81,077,000	\$76,454,246

¹City/County Joint Programs reflects revenues budgeted for the administration of the Automated Regional Justice Information System (ARJIS). ARJIS is the computer network that integrates over 10,000 law-enforcement users Countywide and acts as a single database for crime-related information and data.

²This figure includes \$110,000 interest.

³This figure includes \$10,000 interest.

In addition, the following table exhibits a breakdown of Fiscal Year 2003 Proposed Revenue:

Description	Fiscal Year 2002 Budgeted Revenue	Fiscal Year 2002 Estimated Actual	Fiscal Year 2003 Proposed Revenue
Labor	\$35,064,582	\$32,727,000	\$31,617,000
Computer Usage	\$5,719,149	\$6,671,000	\$5,726,000
Network Access	\$10,792,309	\$11,231,000	\$10,619,000
Equipment Maintenance	\$531,913	\$546,000	\$469,000
Telecommunications	\$5,266,805	\$6,013,000	\$4,861,000
Purchasing Services ¹	\$24,453,566	\$23,879,000	\$23,152,000
Interest/Other Income	\$110,000	\$10,000	\$10,000
Total Revenues	\$81,938,324	\$81,077,000	\$76,454,000

¹ Purchasing Services is a pass-thru revenue account for customer purchases of computer related equipment and software. SDDPC provides an administrative function which involves purchasing the goods and services, vendor payment and collections from customers who incur these expenses (revenues to SDDPC). An administrative charge of 6.7% (FY03) for handling is included in these revenues and is used to pay for the administrative costs of providing this service to customers.

The line items referencing Labor, Computer Usage and Purchasing Services not only reflect an overall decrease in the City's request for application support, development, and maintenance, but also a decrease in the City's anticipated capital purchases in Fiscal Year 2003 as compared to budgeted amounts in Fiscal Year 2002.

The line items referencing Network Access and Telecommunications reflect SDDPC's reduced Fiscal Year 2003 billing rate structure as requested by the City.

Expense

Salaries and Benefits

Although the \$32,278,000 Fiscal Year 2003 proposed budget for salaries and benefits represents a 1.9% decrease from the Fiscal Year 2002 budget, this includes a .8% increase in merit and salary incentives. Relative to the Fiscal Year 2002 budget, the total budgeted staffing adjustment is a direct result of the decrease in anticipated labor revenues and equates to a total reduction of 52.00 positions. This reduction will most greatly affect SDDPC's Consulting business line of service with a reduction of 20.00 positions, but will also affect SDDPC's other business lines of service including Technical Service, Information Technology Delivery, Data Center, and Overhead Departments.

Non-Personnel Expenses

The \$44,055,000 Fiscal Year 2003 proposed budget for non-personnel expenses represents a \$4,962,146 or a 10% decrease from the Fiscal Year 2002 non-personnel expense budget. Due largely to the City mandated budget reduction effort, this decrease will result in a decrease in Capital Expenditures and expenditures for Professional Services. The \$6,887,000 decrease in Capital Expenditures is a direct result of the indefinite postponement of the scheduled SANNET Network Infrastructure upgrade. This year's upgrade was scheduled to be the second year necessary for a two-year project approved last year to completely upgrade the City's data network. The decrease in Professional Services can be attributed to an effort by SDDPC to minimize the usage of outside contractor services in order to balance the anticipated decrease in labor revenues.

The following table exhibits the breakdown of Non-Personnel Expenses:

Non-Personnel Expense Breakdown			
Expense Category	Fiscal Year 2002 Budget	Fiscal Year 2003 Proposed	Increase/Decrease
Equipment and Software	\$5,305,070	\$4,033,000	(\$1,272,070)
Facility Expense	\$2,241,658	\$1,921,000	(\$320,658)

Professional Services	\$4,722,225	\$1,163,000	(\$3,559,225)
Voice and Data Network	\$4,905,344	\$3,370,000	(\$1,535,344)
Supplies	\$359,036	\$176,000	(\$183,036)
Other Expenses including Training and Travel	\$1,623,220	\$1,220,000	(\$403,220)
New Debt	(\$4,250,000)	\$0	\$4,250,000
Net Debt Payments	\$541,000	\$0	(\$541,000)
Capital Expenditures	\$9,890,000	\$3,003,000	(\$6,887,000)
Return of Budgetary Surplus	\$500,000	\$500,000	\$0
Other Balance Sheet Accts	\$360,629	\$0	(\$360,629)
Purchase/Service Contracts	\$22,818,964	\$21,719,000	(\$1,099,964)
Depreciation	N/A ¹	\$6,950,000	\$6,950,000
Total	\$49,017,146	\$44,055,000	(\$4,962,146)

¹Depreciation expenses in Fiscal Year 2002 were calculated as part of New Debt expense, Debt Payment expenses, Capital Expenditures, and Other Balance Sheet Accounts.

CONCLUSION

The \$76,454,246 Fiscal Year 2003 Proposed San Diego Data Processing Corporation Budget is submitted for your review.

Respectfully submitted,

Lisa Irvine
Financial Management Director

Approved: Michael T. Uberuaga
City Manager

IRVINE/am